



United States Department of Agriculture
Rural Development
4949 Kirschling Court
Stevens Point, WI 54481
(715) 345-7620 FAX (715) 345-7699
TTY (715) 345-7614
e-mail: RD.SFH.SO@wi.usda.gov

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SUBJECT: Wisconsin Rural Development Guaranteed Rural Housing (GRH) Update

TO: Approved GRH Lenders and Originators

Following is important information regarding the funding status and program delivery of Wisconsin's GRH loan program. Please distribute this information to all of your branch offices, correspondent banks, or mortgage originators that originate GRH loans in Wisconsin.

GRH FISCAL YEAR 2003 FUNDING STATUS

Today we received an initial GRH funding allotment of approximately \$12.9 million which will allow us to resume the processing of requests for Reservations of Funds and the issuance of Conditional Commitments. Our National Office has obtained a \$650 million apportionment from the Office of Management and Budget (OMB) that will allow the Agency to continue processing GRH purchase and refinance transactions until the final Fiscal Year 2003 budget is approved. Our Agency is committed to making the transition between fiscal years as seamless as possible for lenders and real estate brokers.

New!

REDUCED GUARANTEE FES FOR FY '03

New!

Effective October 15, 2002 the guarantee fee for all GRH purchase loans has been lowered from 2% to 1.5%. The guarantee fee for GRH refinance loans has been reduced from 2% to 0.5%. The reduction in our guarantee fee will make home ownership more affordable for your existing GRH borrowers who are refinancing during this period of historically low interest rates. The reduced fee will also make the GRH program a more attractive mortgage product for lenders assisting homebuyers in rural communities with lower transaction costs. *(Please note that all GRH loans for a home purchase with an obligation date prior to October 1, 2002 are subject to the 2% guarantee fee that was in effect when the loan was obligated.)*

Attached for your information is a revised GRH Refinancing Chart that reflects the reduced guarantee fee and LTV requirements for refinance transactions. Revisions to the GRH Loan Origination and Servicing Handbook cd are pending at this time. Please revise your outreach materials accordingly to reflect the reduced guarantee fees.

FISCAL YEAR 2002 SUMMARY

VISIT US ON THE USDA WebPage at www.usda.gov
Rural Development (replaces the Farmers Home Administration) is an Equal Opportunity Lender.
Complaints of discrimination should be sent to: Secretary of Agriculture, Washington, D.C.

Thanks to your tremendous support during this past fiscal year, Wisconsin Rural Development has utilized approximately \$62.5 million in GRH funding. This amount represents the highest level of GRH funds usage in Wisconsin since the program began 10 years ago. We helped 726 families realize the dream of homeownership affordably using the GRH program. Your dedication and commitment to the GRH program is greatly appreciated by Rural Development and the customers you have served.

Enclosed is a GRH loan activity map that summarizes our program's activity in Fiscal Year 2002. Also enclosed is a GRH loan activity map that summarizes our program's activity during the past 10 years. Wisconsin's utilization of \$62.5 million of GRH funds during Fiscal Year 2002 represents a 12.4% increase in usage compared to the previous fiscal year. Wisconsin's average GRH loan amount was \$86,043, which is a 3.7% increase over the previous fiscal year's average loan amount. Hopefully, this information will assist you in your marketing efforts.

Training from Rural Development is available for new loan originators, processors, and underwriters who want to learn more about this affordable mortgage financing program for their low and moderate-income applicants. Contact your local Community Development Manager or our State Office if you need assistance with GRH training or outreach activities.

WISCONSIN'S TOP TEN LIST

During this past fiscal year, 77 lending institutions originated GRH loans in Wisconsin. The top ten lenders indicated below, originated 63.2% of all GRH loans in Wisconsin during FY '02.

Chase Manhattan Mortgage Corp
Associated Banks (incl. AMI)
Amcore Mortgage, Inc.
First Federal Savings Bank, La Crosse and Madison
Central City Credit Union - Marshfield
Assured Mortgage, Inc.
First Bank - Tomah
Westconsin Credit Union
Washington Mutual Bank
First National Bank - Viroqua

If you have any questions regarding this memo, call (715) 345-7620 for Paul Bartlett at Ext. 114 or Sue Kohnen at Ext. 115.

/s/

PETER G. KOHNEN
Rural Housing Program Director

PGK: pjb

Enclosures